United Nations

Audited financial statements

for the biennium ended 31 December 1995 and Report of the Board of Auditors

Volume III
International Trade Centre

General Assembly
Official Records • Fifty-first Session
Supplement No. 5 (A/51/5)

Audited financial statements for the biennium ended 31 December 1995 and Report of the Board of Auditors

Volume III
International Trade Centre

General Assembly
Official Records • Fifty-first Session
Supplement No. 5 (A/51/5)

United Nations • New York, 1996

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

The financial report and audited financial statements for the biennium ended 31 December 1995 and the report of the Board of Auditors regarding the United Nations, United Nations peacekeeping operations and the United Nations University are being issued as volume I, volume II and volume IV, respectively.

ISSN 0257-0815

[Original: English]

[12 August 1996]

CONTENTS

		Page
LETTERS OF TRANSMITTAL		iv
I.	REPORT OF THE BOARD OF AUDITORS	1
II.	AUDIT OPINION	21
III.	CERTIFICATION OF THE FINANCIAL STATEMENTS	22
IV.	FINANCIAL STATEMENTS FOR THE BIENNIUM ENDED 31 DECEMBER 1995	23
Statement I.	All funds summary: statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 1995	24
Statement II.	All funds summary: statement of assets, liabilities, reserves and fund balances as at 31 December 1995	25
Statement III.	General Fund: statement of cash flow for the biennium ended 31 December 1995	26
Statement IV.	General Fund: statement of appropriations for the biennium ended 31 December 1995	27
Schedule 4.1.	General Fund: major objects of expenditure by programme for the biennium ended 31 December 1995	28
Schedule 4.2.	General Fund: schedule of miscellaneous income for the biennium ended 31 December 1995	29
Statement V.	Technical cooperation activities: combined statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 1995 and combined statement of assets, liabilities, reserves and fund balances as at 31 December 1995	30
Statement VI.	Other special funds: combined statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 1995 and combined statement of assets, liabilities, reserves and fund balances as at 31 December 1995	31
Notes to the financial statements		32

17 July 1996

Dear Mr. Prempeh,

In accordance with financial regulation 11.4, I have the honour to submit the accounts of the International Trade Centre for the biennium ended 31 December 1995, which I hereby approve. The financial statements have been drawn up and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(Signed) Boutros BOUTROS-GHALI

Mr. Osei Tutu Prempeh
Chairman
United Nations Board of Auditors
New York

31 July 1996

Sir,

I have the honour to transmit to you the financial statements of the International Trade Centre for the biennium ended 31 December 1995, which were submitted by the Secretary-General. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) Osei Tutu PREMPEH
Auditor General of Ghana
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

I. REPORT OF THE BOARD OF AUDITORS

Introduction

1. The Board of Auditors has audited the financial statements of the International Trade Centre (ITC) UNCTAD/WTO for the period 1 January 1994 to 31 December 1995 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit has been conducted in conformity with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These standards require that the Board plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement and in accordance with the United Nations System Accounting Standards. The accounting standards were revised and adopted by the Administrative Committee on Coordination on 15 September 1995.

Audit objectives and approach

2. The Board's audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The examination was based on an assessment of ITC's accounting systems and controls and a substantive audit in which all areas of the financial statements were subject to direct substantive testing of transactions. The audit also included an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall presentation of the financial statements. The Board considers that its audit approach provides a reasonable basis for its opinion. While the financial statements are the responsibility of ITC's management, the Board's responsibility is to express an opinion as to whether, based on its audit, the financial statements present fairly the financial position of ITC as at 31 December 1995 and the results of its operations for the financial period then ended.

3. The financial audit for the 1994-1995 biennium included an examination of ITC's General Fund; its programme support costs; its technical cooperation activities financed by UNDP, trust fund donors and other external sources; and the other special funds for training packs and electronic data-processing activities.

4. The Board's examination included a general review and such tests of the accounting records and other supporting evidence as it considered necessary. The examination comprised two major components: interim testing of accounting systems and systems of internal control, and period-end substantiation of accounting balances. These audit procedures are designed primarily for the purpose of forming an opinion on ITC's financial statements.

5. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under article 12.5 of the United Nations Financial Regulations. The reviews primarily concern the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of ITC.

6. In 1994-1995, the Board examined in detail the following areas:

(a) The use of external consultants by ITC on technical cooperation projects and on programme/projects evaluations;

(b) Reporting on programme performance by ITC; and

(c) The financial status of ITC, concentrating in particular on programme support revenue and expenditure.

7. A summary of the Board's principal recommendations is contained in paragraph 10. A summary of the main findings arising from the Board's audit is contained in paragraphs 11 to 31. The Board's detailed findings are reported in paragraphs 32 to 90.

Action taken on recommendations in previous reports to the General Assembly

8. As requested by the General Assembly in resolution 47/211 of 23 December 1992, the Board carried out a review of the measures taken by ITC in response to the recommendations made by the Board in its audit report for the biennium ended 31 December 1993, including outstanding issues brought forward from the biennium ended 31 December 1991. ITC has responded positively to the Board's recommendations. Details of the actions taken by ITC, together with the comments of the Board, are set out in the annex to the present report. A number of the topics covered are also discussed further in this report.

Overall results

9. The Board's examination revealed no weakness or error considered material to the accuracy, completeness and validity of the financial statements as a whole. In accordance with normal procedures, the Board recorded significant findings in management letters to the ITC secretariat. None of these matters affected the Board's audit opinion on ITC's financial statements and schedules for the biennium. Accordingly, the Board has placed an unqualified opinion on ITC's financial statements for the biennium 1994-1995.

Summary of recommendations

10. The Board's principal recommendations are set out below:

Financial matters

(a) ITC should adhere more closely to the provisions of the administrative instruction (ST/AI/285) regarding the issue of allotments prior to receipt of funds from donors (see paras. 35-37);

(b) ITC should adhere to United Nations procedures and ensure that, before approving a payment, it obtains assurance that the goods received are in accordance with the purchase order (see para. 40);

Management issues

Use of external consultants on technical cooperation projects

(c) ITC should augment the information contained in the consultants' roster to show previous assessments and experience and key information such as technical skills and languages spoken (see para. 64);

(d) The consultants' roster should be updated on a more timely basis; consultants who have consistently failed to provide updated personal histories should be removed from the records (see para. 67);

(e) Desk officers should define their likely future consultant needs in cases where specific specialists are in demand, and should determine a recruitment strategy (see para. 68);

(f) ITC's report drafting guidelines should be applied to all types of reports submitted to ITC and should highlight the main faults to avoid when drafting a report (see para. 72);

(g) Wherever possible, contract terms of reference should define a clear deliverable output capable of objective measurement. Where contract terms are based on a number of man-days worked, ITC should establish appropriate controls to ensure compliance with the contract terms (see para. 75);

(h) ITC should review the structure of the consultant's assessment form and improve the extent of feedback on the quality of the consultant's work (see para. 80);

Reporting on programme performance

(i) ITC should review its budgeting and programme reporting procedures in light of the Board's comments and suggestions (see para. 89).

Summary of main findings

Financial matters

On United Nations System Accounting Standards

11. The Board's review indicated that ITC has applied the United Nations System Accounting Standards except where there has been specific agreement with the United Nations for alternative treatment (see para. 32).

On ITC's operating environment

12. The Board endorses ITC's efforts to reach agreement with the United Nations and the World Trade Organization (WTO) to resolve the uncertainties on which policies and procedures should apply to ITC (see paras. 33 and 34).

On voluntary contributions from trust fund donors

13. ITC authorized the allocation of funding to trust fund projects prior to the receipt of the funds, contrary to United Nations procedures (see paras. 35-37).

On receipt of supplies and equipment

14. Payment for equipment received in the field was often made without certification that the goods were received in satisfactory condition and in accordance with the purchase order. This was not in accordance with United Nations procedures (see paras. 38-40).

On changing the functional currency from United States dollars to Swiss francs

15. The Board understands that ITC has agreed to report to WTO in Swiss francs from 1 January 1997 (see paras. 41 and 42).

Management issues

Financial status of ITC

On the programme support cost budget

16. In response to a decline in the programme support cost budget over a number of years, ITC has taken action to reduce staff posts funded by the support cost budget (see para. 45).

17. The programme support cost budget was subjected to additional strain by ITC's practice of temporarily funding project posts out of the support cost budget. ITC has undertaken to secure project staff on shorter-term contracts wherever possible in order to limit the strain on the support cost budget (see para. 46).

18. ITC took action to limit the deficit of $849,000 incurred on the support cost budget for 1995 and the estimated deficit of $1.2 million for 1996. While reserves were sufficient to cover the 1995 deficit, they are not sufficient to cover that estimated for 1996. ITC is currently formulating and implementing strategies to redeploy staff in an effort to limit the estimated deficit (see paras. 48-52).

On ITC's general financial position

19. In its 1992-1993 report, the Board of Auditors recommended that ITC establish a plan to cope with the declining income from major trust fund donors. In 1994-1995, trust fund income continued to decline and ITC had to make cost savings. During the biennium, ITC carried out an in-depth review to clarify its priorities and to focus attention on six core activities. ITC is now in the process of restructuring to implement the new strategy (see paras. 53-55).

20. ITC regards the establishment of a global trust fund as an important element in strengthening its financial stability. The fund was formally established in late 1995; by March 1996 its balance totalled $3.7 million (see para. 56).

Use of external consultants on technical cooperation projects

On the selection of candidates

21. ITC's computerized roster of international consultants did not contain important information necessary to help in the initial selection of appropriate candidates (see paras. 61-64).

On review and update of the consultants' roster

22. The roster was only updated every second year and contained a substantial number of inactive candidates (see paras. 65-67).

On availability of appropriate consultants

23. The roster did not include sufficient numbers of experienced experts in specialist fields, of whom ITC has a growing need (see para. 68).

On appointment of national consultants

24. The Board noted instances in which only one individual had been considered for a consultancy appointment (see paras. 69 and 70).

On payments to consultants

25. Most contracts provided for consultants to be paid according to the number of days worked. The Board noted that ITC was not always well placed to confirm that such requirements had been fulfilled (see paras. 73-75).

On evaluating consultants' work

26. The assessment form used by ITC to evaluate consultants' work did not specifically address whether the objectives had been met and the quality and timeliness of the consultants' reports. The assessment was not routinely discussed with the consultant concerned (see paras. 76-78).

On feedback from consultants' reports

27. ITC did not routinely obtain feedback from users of consultants' reports (see para. 81).

Reporting programme performance

On existing mechanisms

28. ITC's budget document does not include performance indicators to measure efficiency, and its programme performance report provides information on physical output but not on achievement of objectives (see paras. 82-85).

29. There is insufficient linkage between budget and actual costs and between planned and actual output; there is no effective means for determining achievement of objectives (see para. 85).

On scope for improving existing mechanisms

30. The Board considers that there is scope for ITC to develop its recently established annual operating plan and medium-term strategy to facilitate more analysis of performance with the aid of performance indicators (see paras. 86 and 87).

31. The Board considered that such developments would need an improved management information system, possibly based on the programme monitoring system ITC is developing for one programme (see paras. 88 and 89).

Part I: Financial statements

United Nations System Accounting Standards

32. In 1995 the Administrative Committee on Coordination adopted revised accounting standards for the United Nations system, which include recommended formats for financial statements. The Committee also approved the application of the formats and revised standards to the financial statements for financial periods ending in 1995. The Board assessed the extent to which ITC's financial statements for the 1994-1995 biennium conformed to the revised accounting standards. Its review indicated that ITC has generally applied the standards.

ITC's operating environment

33. ITC is funded jointly by the United Nations and the World Trade Organization (WTO), which formally succeeded the General Agreement on Tariffs and Trade (GATT) on 1 January 1996. In September 1995, the Secretary-General of the United Nations agreed with the Director-General of the World Trade Organization to recommend to the responsible intergovernmental organs that present arrangements governing the status of ITC as a joint body be confirmed and renewed with WTO, subject to revised budgetary arrangements as called for by the General Council of WTO. As a jointly funded body, ITC has adopted certain policies and procedures which are not fully in compliance with United Nations practice to meet its special needs for the administration of extrabudgetary funds. For example, projects are charged with standard, rather than actual costs. The United Nations and WTO have not yet determined which policies and procedures should apply to ITC. Resolution of those issues will help ITC establish clear policies and procedures consistent with its needs.

34. The Board endorses ITC's efforts to reach agreement with the United Nations and WTO to resolve these uncertainties.

Voluntary contributions from trust fund donors

35. The Board noted that there was a long-established practice whereby ITC authorized allotments to certain trust fund projects prior to the receipt of funds. This practice contravenes United Nations procedures outlined in the administrative instruction (ST/AI/285) which provides that no allotments be issued prior to receipt of funds from donors. Although it had not yet happened, this could result in the technical cooperation fund running into a cash deficit.

36. ITC stated that the $1 million operating reserve allows it to fund temporary shortfalls in donors' contributions and that measures are in place to avoid an overall cash deficit in the technical cooperation fund.

37. The Board recommends that ITC adhere more closely to the administrative instruction in document ST/AI/285.

Receipt of supplies and equipment

38. The Board noted that the payment for equipment received in the field was often made on the basis of an invoice supported by a packing slip or other freight document and without evidence of receipt of goods, contrary to financial rule 108.9 (c). No report was issued by the receiving officer to certify that

the goods were received in satisfactory condition and in accordance with the purchase order. This is not in accordance with United Nations financial rule 110.27 and also puts ITC at risk of paying for faulty items or for goods not ordered. ITC informed the Board that it relied on exception reports from the receiving officer to identify faulty items or goods not in conformity with specifications.

39. ITC explained that copies of each purchase order were sent to the ultimate recipient of the goods, specifically requesting confirmation of receipt. ITC considered that, in the field, procedures requiring inspection prior to payment would result in unreasonable delay in payments to suppliers and that there were no plans to introduce more rigorous procedures.

40. The Board recommends, however, that ITC adhere to United Nations procedures and ensure that, before approving a payment, it obtains assurance that the goods received are in accordance with the purchase order.

Accounting in United States dollars or Swiss francs

41. The Board considers that there is advantage for ITC to change its functional currency from the United States dollar to the Swiss franc, in recognition that most of ITC's obligations and expenses are in Swiss francs and that this would simplify daily operations and increase efficiency.

42. The Board is pleased to note that ITC will submit its financial statements to WTO in Swiss francs from 1 January 1997. The matter was under discussion with United Nations Headquarters, but as an interim measure ITC has proposed to report in both currencies.

Write-off of losses of cash, receivables and property

43. In accordance with financial rule 111.10 (b), ITC provided the Board with details of stores amounting to $708,360 which were written off during the biennium. These mainly comprised obsolete computer equipment which had reached the end of its useful economic life.

Part II: Management issues

Financial status of ITC

Programme support cost budget

44. ITC is funded from the regular budget, extrabudgetary sources and programme support income.

45. For a number of years, the Board of Auditors has noted that sharply declining extrabudgetary funding was leading to a reduction in the programme support budget. The Board was concerned that management had not formally set out its contingency plan to reduce support costs in anticipation of a continued decline in extrabudgetary funding. ITC took several measures to alleviate the situation, such as freezing certain support staff posts once they became vacant, but a significant proportion of staff funded out of the support cost budget were ITC staff on long-term contracts. These measures have reduced the number of staff posts funded out of the support cost budget from 53 in 1992 to 27 in 1995.

46. ITC considers that it is justified in using support costs, on occasion, to finance parts of contracts of interregional and technical advisers in recognition of their technical, backstopping role. The Board noted, however, that it was common practice for project personnel to be funded from the support cost budget in the absence of available project funding. While this was mainly done as an expedient to help retain staff with essential skills pending receipt of project funds, it placed additional strain on the programme support cost budget. In addition, the Board pointed out that the practice of temporarily funding support cost posts out of vacant regular budget posts was inappropriate, as those posts were funded from funds not available for that purpose. ITC explained, however, that such staff movements are temporary reassignments of personnel to carry out the regular programme of work and are arranged as an alternative to external recruitment.

47. ITC has assured the Board that, before issuing employment contracts, it ensures that appropriate funding is available. The Board recommended, however, and ITC agreed, that it should issue short-term contracts for project staff whenever possible.

48. Figure 1 shows the declining expenditure from extrabudgetary funds. This resulted in reduced programme support budget income, as a result of which ITC is unable to cover project support expenditure, as illustrated in figure 2.

49. The shortfall in programme support income has been exacerbated by the relative fall in the value of the United States dollar, since income is mainly denominated in United States dollars while most of the expenditure is in Swiss francs.

50. ITC has taken action to limit the extent of the estimated support cost budget deficit incurred in 1995 and estimated for 1996 and, since mid-1995, has closely monitored expected income against committed expenditure. The 27 staff posts currently funded out of the support cost budget cost $3.2 million in 1995. Another four support staff were carrying out regular budget functions on a temporary basis until regular budget posts fell vacant. These staff were funded out of the regular budget. Annual support cost income for 1995 was $2.5 million and was estimated at $2.0 million for 1996. This left a deficit of $0.7 million for 1995, which would increase to $1.2 million for 1996 if no remedial action is taken.

51. As at 31 December 1993, ITC's programme support costs had total reserves and fund balances of $849,000, including a support cost operating reserve of $638,000, set at 20 per cent of estimated annual support cost income. This, together with $50,000 in savings on the cancellation of prior periods' obligations, was sufficient to cover the programme support cost operating deficit of $759,000 in 1995, but reduced the reserve to $140,000 as at 31 December 1995. This would be insufficient to cover the projected programme support cost deficit of $1.2 million for 1996.

52. ITC is currently formulating and implementing strategies for the redeployment/release of staff.

Figure 1

ITC total expenditures since 1990

Provisional first estimates for 1996 show estimated expenditure at $39.3 m.

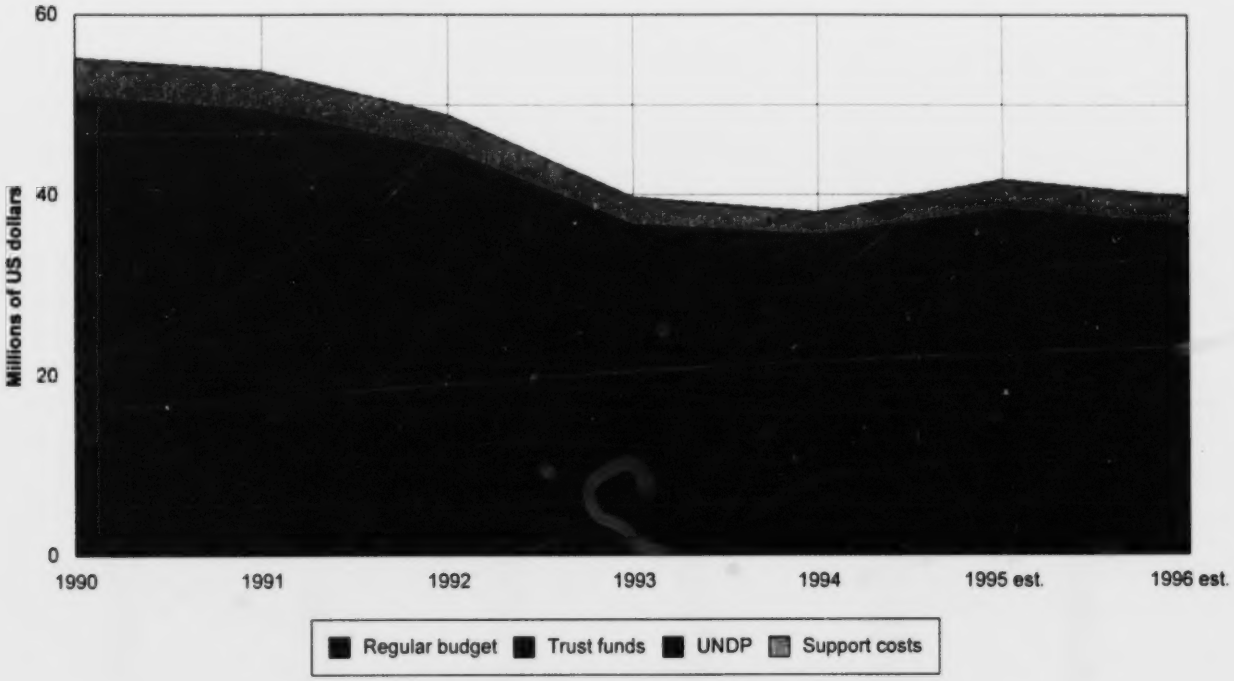
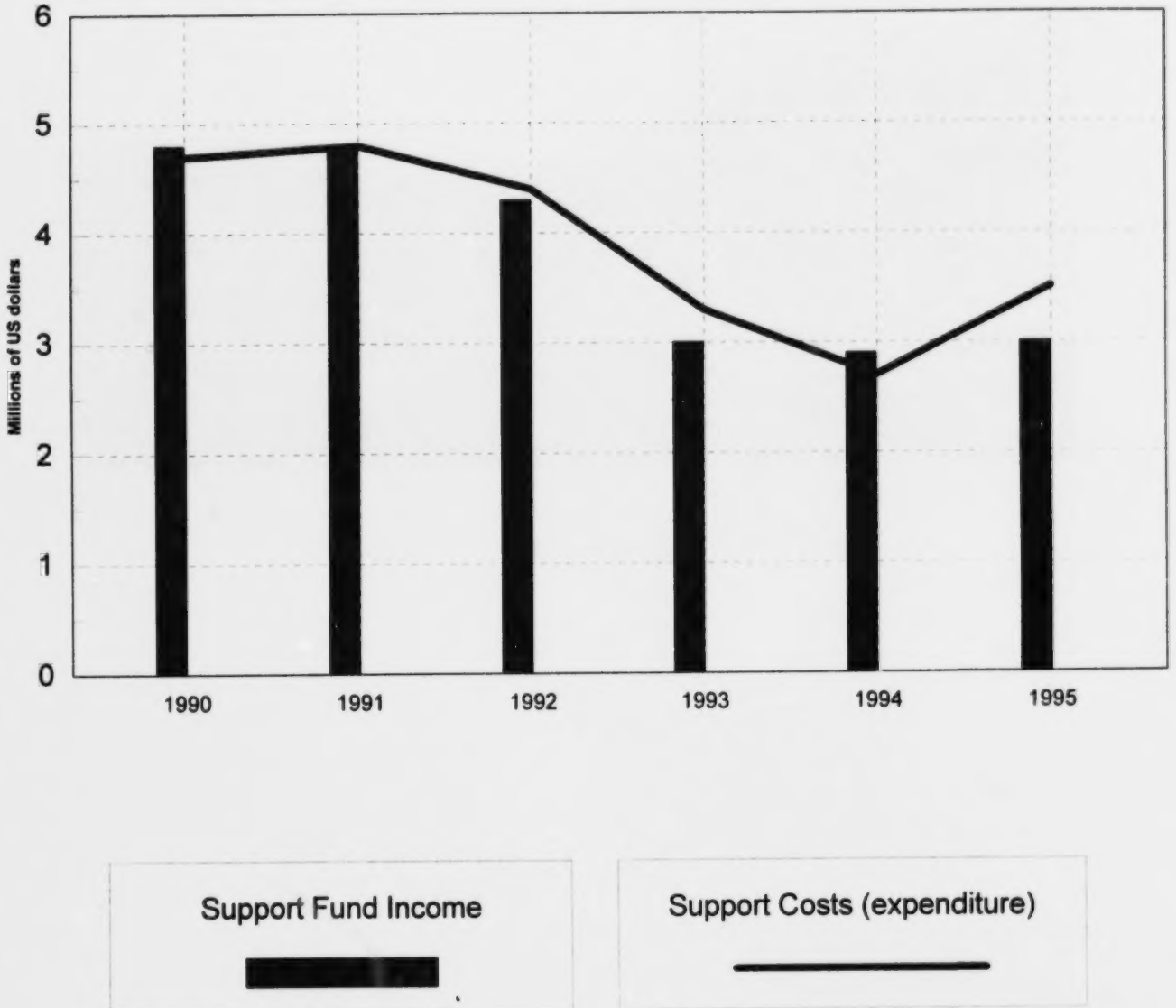


Figure 2

Support Cost Fund
(income & expenditure)



ITC's general financial position

53. In its report for the biennium 1992-1993, the Board recommended that ITC should establish a contingency plan to ensure that its planned activities and use of resources were commensurate with the funds available. The Board was concerned that significant modification of the scale of ITC's operations would be required if it should not receive contributions for new projects in 1994-1995 from major trust fund donors or from other sources of income on a scale comparable with previous years.

54. During the biennium ended 31 December 1995, contributions from trust fund donors, and consequently funding for programme support costs, were again significantly reduced. This caused programme support expenditure to exceed programme support income in 1995, with the result that ITC had to make cost savings. A contingency plan was developed for 1996 should the situation continue to deteriorate.

55. As a first step towards organizational restructuring, ITC's Executive Director initiated an in-depth review, which addressed the issues of funding reform, technical priority-setting, organizational restructuring and operational streamlining, and the reallocation of ITC's human and financial resources. ITC proceeded to set technical and operational priorities within the general framework proposed and subsequently modified by the Joint Advisory Group. ITC subsequently set out its priorities, which focused ITC's activities on six core services. Since then, ITC has modified its organizational structure in order to implement these core services and has initiated the preparation of operating plans for 1996 based around the identified priorities. However, ITC recognizes that the implementation of these priorities depends in part on the level of resources made available.

56. ITC considers that an important element in strengthening its financial stability is the establishment of a global trust fund. This was agreed at the twenty-eighth session of the Joint Advisory Group, and a consultative committee was established in late 1995 to oversee the administration of the fund. The committee is composed equally of donors and recipient countries. By March 1996, the level of the fund had reached $3.7 million. The Board supports this development.

Experts, consultants and temporary assistance

Introduction

57. Although some consultancies within ITC are funded from the regular budget, most are concerned with technical cooperation projects and are thus funded through the technical cooperation approved budget.

58. The technical cooperation consultancies fall under two categories:

(a) Experts on missions appointed through special service agreements. They are normally appointed for a maximum period of six months, but this may be extended by up to three months in exceptional cases. Experts are remunerated either with a lump sum, or on a daily fee basis;

(b) National experts of the host country where the project is located, appointed through service agreements.

59. During the biennium 1994-1995, ITC issued 293 special service agreements and 55 service agreements at an estimated cost of $10,398,000. As at 31 December 1995, there were 108 technical cooperation projects, funded either by UNDP or trust funds, with a total value of $16.7 million.

60. External consultants may also be appointed to perform subprogramme or project evaluations. They are appointed by the ITC secretariat and, for subprogramme evaluations, report to the Joint Advisory Group. In-depth project evaluations focus on the relevance of the project and its strategy, efficiency and impact. Evaluations are financed from individual project budgets or through ad hoc arrangements. The senior officer on evaluation, financed through the regular budget, supervises the planning, implementation and follow-up of all evaluation-related activities.

Selection of consultants

61. When ITC requires consultancy expertise, a desk officer prepares a job description, showing the skills and experience needed and defining the terms of reference and also setting out the criteria for selecting the consultant.

62. ITC maintains a roster of international consultants to help identify potential candidates. The Board found that the roster did not contain all the information necessary to help in the initial selection of appropriate candidates, necessitating frequent references to the individual consultant's files. Although the roster includes the consultant's previous experience, it does not include a summary of the evaluation of the consultant's performance completed at the end of the assignment.

63. During the initial technical evaluation of potential consultants, a checklist is completed to rate the experience and skills of the candidate according to established standard criteria. But this data is not input into the database, necessitating further reference to individual files to assess whether a potential consultant has the appropriate experience and skills to complete an assignment.

64. The Board accordingly recommends that ITC augment the information contained in the roster to show previous assessments and experience and key information such as technical skills and languages spoken in order to improve the effectiveness of the initial screening of candidates.

Review and update of the consultants' roster

65. The roster of international consultants contained details of approximately 2,900 candidates in the database out of whom approximately 1,600 are qualified as "active". The roster consisted of a computerized database supported by a file for each consultant. The database contained, for each available consultant, details of identity, address and scholarship; skills; whether the candidate had been cleared for ITC posts/missions; employment record; and remarks from end-user.

66. The roster is updated every second year based on the consultant's curriculum vitae or on a personal history form completed by the consultant.

67. The Board considers that the roster should be updated on a more timely basis and that those consultants who have consistently failed to provide updated personal histories should be removed from it. This should lighten the roster database and make it more accessible to the user.

Availability of appropriate consultants

68. ITC increasingly needs experienced specialists in particular fields to carry out projects, in the development of trade information systems, for instance, and the related training of users. In most cases, the roster does not meet this kind of need. The Board recommends that the desk officers define their likely future consultant needs in cases where specific specialists are in demand but few exist, and determine a recruitment strategy.

Appointment of national consultants

69. In four out of nine cases examined by the Board, only one individual had been considered for the appointment of project consultant. In most cases, the justification given for such single tender action related to either prior selection by the Government or very specific technical requirements. The Board found two consultants' contracts which had been extended beyond six months without the required approval of the ITC selection panel. The panel acts as an important independent body which provides assurance to donors that the granting of long-term consulting contracts is made on an objective basis. ITC stated that these policies were primarily established to provide recipient Governments with a choice of candidates.

70. The Board encourages ITC to ensure a wide choice of candidates for consultancy appointments by challenging more rigorously single tender actions, and also to ensure that contract extensions are always submitted for approval in accordance with recruitment procedure.

Report drafting

71. All consultants receive guidelines on how to draft a report. These were last revised in March 1989, although they are currently under review.

72. The Board noted that ITC had to revise substantively many of the consultants' reports because of deficiencies in presentation and format and the inclusion of superfluous background information. The Board welcomes the current review of ITC's report drafting guidelines and suggests that they be applied to all types of reports submitted to ITC and that they highlight the main faults to avoid when drafting a report.

Payments to consultants

73. Most contracts provided for consultants to be paid according to the number of days worked. Payment is made on the basis of confirmation by an ITC desk officer that the work was completed satisfactorily and the required number of days worked, as recorded in the monthly attendance record. The Board noted instances in which ITC was not well placed to confirm the number of days worked, particularly when the consultant was not working under close day-to-day ITC supervision.

74. ITC considers that the use of a certain number of workdays is a more objective measure by which to assess remuneration.

75. The Board recommends that, wherever possible, contract terms of reference should define a clear deliverable output capable of objective measure. Where, however, contract terms must necessarily be based on a number of man-days worked, ITC should ensure that appropriate controls are in place to confirm that the contract terms have been complied with.

Evaluation of the consultant's work

76. ITC normally evaluates a consultant's work and assesses his or her performance. This is done on the basis of a consultant assessment form, which must be completed before final payment to the consultant is authorized.

77. The current consultant assessment form asks two main questions: whether the consultant did a good job and whether he/she could be recommended for a similar mission. The five ratings can be classified into one negative category, "insufficient", and four positive categories, "satisfactory, good, very good, outstanding".

78. The Board reviewed a sample of consultants' files and noted the following:

(a) There were few "qualitative" comments made on the assessment form, particularly on the ways in which the consultant could improve his/her work in the future;

(b) On occasion, the assessment forms did not reflect evident shortcomings, for example, that reports had been submitted late; and

(c) The assessment form was not structured to assess the consultant's work objectively and the evaluations were not discussed with the consultants.

79. More objective and precise assessments would be beneficial to both the consultant and ITC, since most consultants received repeat assignments from ITC. The assessments of previous projects should be discussed with the consultants prior to their carrying out any further projects, to help improve their performance.

80. The Board therefore recommends that ITC review the structure of the assessment form and improve the extent of the feedback given on the quality of the consultant's work. For example, the assessment form should evaluate whether the consultant met the objectives, complied with the approved work programme, anticipated problems and found solutions, formulated constructive and practical solutions, drafted a clear and concise report and had a positive impact on the project and on ITC. ITC agreed that it would review its end-of-assignment assessment form at the earliest opportunity.

Feedback on the consultants' reports

81. ITC did not obtain any feedback on reports completed by the consultants. ITC explained that it doubted that reliable data could be obtained through questionnaires addressed to the beneficiaries and believed that the feedback on consultants' reports had to be seen in the context of the impact of all activities undertaken within the project, which would be achieved through the project monitoring system. The Board considers, however, that ITC should periodically test the value of consultants' input by developing a questionnaire to send to the recipients of the report. This might determine whether: the report met the needs of the recipient; there were areas which should have been developed in greater/less detail; there were areas for improvement in contents/ format; the immediate benefits for the recipient; and how the conclusions of the report would be used at country/business level.

Reporting on programme performance

Existing mechanisms

82. ITC presents a budget document to the United Nations and WTO to obtain approval for regular budget funding. The budget document does not set targets in terms of quantifiable performance indicators, thus limiting subsequent monitoring of performance.

83. ITC collates and submits a programme performance report in accordance with instructions issued by the United Nations Central Monitoring and Inspection Unit of the Office of Internal Oversight Services. The report provides information on physical output delivered - for example, number of publications produced. It is used by the Central Monitoring and Inspection Unit to prepare a global report on programme performance of the United Nations.

84. ITC prepares an annual report on its activities for the spring meeting of the Joint Advisory Group. The report provides a summary and brief description of all projects completed during the year. No comparison is made against the projects identified in the proposed programme budget and there is no attempt to assess the success of ITC in achieving its mandate by reporting on the achievements or impact of these projects/programmes.

85. The Board considers that, while these budgeting and reporting processes provide adequate means for setting a budget, there is insufficient linkage between budget and actual costs and planned and actual output. In particular, there is no effective means to identify whether specific activities, programmes or projects have achieved their objectives and been delivered within budget and on time.

Scope for improving existing mechanisms

86. The Board welcomes ITC's decision in January 1996 to prepare an annual operating plan, setting out the work programme for one year and showing the activities, inputs and implementation schedule for each output, and an annually rolling three-year, medium-term plan setting precise targets and specific outputs. The Board suggests that this might be enhanced by the introduction of an annual performance analysis, comparing measured performance indicators against objectives. Such a report could also include summaries of any ex post facto evaluations performed during the period. This analysis should be supplemented by a report detailing actual expenditure by subprogramme, output, objectives and achievement of objectives.

87. Possible performance indicators which could be used might include: for enterprise-oriented type of projects, additional export earnings generated; for publications, the number of copies requested; for training, the level of repeat demands for training courses and materials or the number of places filled in the courses.

88. The measurement of actual performance, using performance indicators, and the linkage of financial data to programme results are likely to require implementation of an improved management information system at ITC. Such a system should ideally integrate all ITC programme information, including financial information, allowing for both the extraction of information at period-end for comparison against performance indicators, and on-line access for day-to-day management control and planning. ITC is developing a programme monitoring system for one of its subprogrammes. The Board suggests that ITC

review this system for its transferability/applicability to other subprogrammes, its flexibility in producing data for performance evaluation purposes and its ability to incorporate data storage, manipulation and reporting requirements.

89. The Board accordingly recommends that ITC review its budgeting and programme reporting procedures in light of the Board's comments and suggestions.

Cases of fraud, presumptive fraud, administrative waivers and ex gratia payments

90. The ITC secretariat reported no cases of fraud, presumptive fraud, or ex gratia payments to the Board during the biennium.

Acknowledgement

91. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the Executive Director and the staff of the International Trade Centre during its audit.

(Signed) Osei Tutu PREMPEH
Auditor General of Ghana

(Signed) Sir John BOURN
Comptroller and Auditor General of the United Kingdom of Great Britain and Northern Ireland

(Signed) Vijay Krishna SHUNGLU
Comptroller and Auditor General of India

31 July 1996

Follow-up on actions taken by ITC to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1993 a/

Recommendations of the Board of Auditors	Measures taken by ITC	Comments of the Board
(a) ITC should expand its statement of changes in financial resources to include not only the General Fund but all other funds operated by the organization.	ITC consulted the United Nations Accounts Division at Headquarters to inquire whether it would be necessary to include a statement of sources and applications of funds (renamed the statement of cash flow under the revised United Nations System Accounting Standards) for all funds. According to the instructions received from Headquarters, the statement of cash flow is only applicable to the General Fund.	The Board notes the United Nations decision. Consequently, the financial statements for the biennium ended 31 December 1995 will include a statement of cash flow for the General Fund only.
(b) In future, ITC should request and receive the endorsement of donors before increasing the level of the operating reserve.	ITC now accepts that before increasing the level of the operating reserve, the agreement of all donors will be obtained. The operating reserve remains unchanged from the level established in 1993.	The Board notes that no objections have been raised by donors during the most recent biennium to the increase effected in the previous biennium. The Board is informed that no further increase is contemplated by ITC.
(c) Wherever possible, ITC should consider using more temporary and short-term staff for programme support activities.	ITC considerably reduced staff funded by support cost income during the 1994-1995 biennium and any future appointments will be made using short-term 300-series contracts wherever possible.	The Board will continue to monitor appointments under the support cost fund.
(d) ITC should document thoroughly all transfer of staff between funds before the assignments take place.	ITC now complies with the recommendations. All details/transfers of staff are well documented in advance.	The Board noted no exceptions during the audit relating to the 1994-1995 biennium.
(e) ITC and the Audit and Management Consulting Division of the United Nations Office for Internal Oversight Services should agree on an annual work plan, timetable and budget for the internal audit of the Centre.	ITC has consulted with the Audit and Management Consulting Division regarding ITC's internal audit plan. However, no official work plan was agreed on as the Division regards itself as an independent function.	The Board reiterates that a strong working relationship between ITC and the Division will aid ITC in utilizing the results of Division examinations to increase its operating efficiency. This need not impair the independence of the Division.
(f) ITC should let service contracts on the basis of competitive bidding at regular intervals, ideally every two or three years.	ITC accepted this recommendation and has implemented it during the 1994-1995 biennium.	The Board noted that where service contracts fell due for renewal during the biennium, ITC requested competitive tenders for those contracts.

a/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5 (A/49/5), vol. III, sect. II, para. 14.

Recommendations of the Board of Auditors	Measures taken by ITC	Comments of the Board
(g) ITC should pay more attention to assessing the relevance of project ideas and proposals against its stated priorities.	ITC's priorities were redefined and formally endorsed at the Joint Advisory Group meeting held in June 1995. Since that time, ITC has been reorienting its programme in line with the new priorities, including its project ideas and proposals. The Project Appraisal and Clearance Committee has reviewed documents submitted to it against these new priorities, and the discussions have been recorded in the Committee's minutes. At the beginning of 1996, the Committee was reorganized in line with the general restructuring of ITC. The project cycle management procedures manual is being revised to introduce a project team approach and to define the role of the newly established Corporate Strategy and Quality Assurance Section. As part of the exercise, a project appraisal checklist is being prepared, which will facilitate a more focused review of project proposals against, inter alia, the defined priorities.	The Board recognizes that, following the appointment of the new Executive Director of ITC in 1994, considerable effort has been put into redefining the priorities and objectives of ITC. While significant progress has been made, the Board awaits finalization of the revised project cycle management procedures manual and will continue to monitor the situation.
(h) ITC should continue to take steps to ensure that project objectives and outputs are defined in specific and quantifiable terms.	ITC is currently in the process of developing a project appraisal checklist, which will contain a requirement to define project objectives and outputs in specific and quantifiable terms, with pre-identified performance indicators. ITC has recently appointed a senior quality assurance and evaluation officer to ensure conformity with established guidelines.	The Board supports ITC's current initiatives and will continue to monitor the situation.
(i) ITC should introduce a computerized project monitoring system.	A computerized project and programme monitoring system is currently being implemented and tested in the Import Section; it is not yet operational. ITC regards the matter as one element of a more general corporate management information system which is under the mandate of the senior quality assurance and evaluation officer. An internal working group has been established to assess ITC's needs, with particular emphasis on substantive databases.	The Board supports the establishment of the working group and continues to emphasize the value of such a system in the management and evaluation of ITC programmes.
(j) ITC should, when drawing up its evaluation plan, identify clearly the source and value of funds carrying out programme evaluation work.	ITC informed the Joint Advisory Group at its twenty-sixth session that there should be a multi-donor arrangement to finance independent programme evaluations. The global trust fund was agreed on and a consultative committee established during 1995. Part of the fund can be used for unrestricted purposes, and ITC has allocated 5 per cent of the donations to undertake programme/project evaluations; it planned to evaluate the subprogramme on product and market research, development and promotion in 1996.	The Board welcomes the establishment of the global trust fund and supports the use of part of the funds for ongoing independent evaluations of ITC programmes and subprogrammes.

Recommendations of the Board of Auditors	Measures taken by ITC	Comments of the Board
(k) ITC should continue to apply a lower threshold of $400,000 for the evaluation of trust fund projects, subject to this being cost-effective.	ITC called a directors' meeting on 3 July 1995, during which the recommendation regarding the threshold was considered. There is no immediate plan to revise evaluation policies and procedures, which include automatic evaluation only of projects with budgets over $1 million.	The Board continues to recommend that ITC apply the lower threshold of $400,000 for the evaluation of trust fund projects. The Board is concerned that the higher threshold is likely to exclude the majority of such projects.
(l) ITC should strengthen its planning of ex post facto evaluation at the project level.	ITC called a directors' meeting on 3 July 1995 during which the opportunity of carrying out ex post facto evaluations was discussed. Although no such evaluations were carried out in 1995 and only two in 1994, evaluation of the subprogramme on human resource development for trade promotion, completed in 1995, included ex post facto reviews of the achievements of a number of projects. The global trust fund represents a new facility which may be used to finance ex post facto evaluations at the project level.	The Board continues to recommend increased use of ex post facto evaluation of projects and encourages ITC to include these evaluations in its budget considerations for the use of the global trust fund.

Follow-up on action taken by ITC to implement those recommendations of the Board of Auditors in its report for the biennium 1990-1991 b/ that the Board considered ITC had not fully acted on during the biennium 1992-1993

Recommendations of the Board of Auditors	Measures taken by ITC	Comments of the Board
ITC should establish a formal policy for enterprise assistance projects. The guidelines should include a requirement to establish written agreements between the enterprise and ITC, clearly specifying mutual tasks, responsibilities and contributions of all concerned.	The report prepared by ITC's internal working group on the enterprise-oriented approach was submitted to the directors' meeting on 10 May 1995. It was decided that the matter should be considered within the framework of an overall ITC strategy for support to private sector development. An ad hoc working group was set up and a draft strategy formulated, but no further work on the matter was anticipated until September 1996 because of other priorities of the Corporate Strategy and Quality Assurance Section.	The Board support the initiatives that have been taken to establish a policy/ strategy covering the enterprise-oriented approach and encourages ITC to actively pursue completion of this project, which should include formulation of detailed guidelines on written agreements between the enterprise and ITC.
ITC should not conclude agreements with donors that are likely to limit its independence in recruiting.	ITC did not conclude any new arrangements of this kind in 1994-1995 and will continue to try to avoid such arrangements in the future.	The Board has noted ITC's assurances and will continue to monitor this matter in future audits.

b/ Ibid., Forty-seventh Session, Supplement No. 5 (A/47/5), vol. II, sect. II, paras. 6 (k) and (l).

II. AUDIT OPINION

We have examined the following appended financial statements, numbered I to VI, properly identified, the relevant schedules and the supporting explanatory notes of the International Trade Centre for the financial period ended 31 December 1995 in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

As a result of our examination, we are of the opinion that the financial statements present fairly the financial position of the International Trade Centre as at 31 December 1995 and the results of its operations for the financial period then ended; that they were prepared in accordance with the stated accounting policies which were applied on a basis consistent with that of the preceding financial period, and that the transactions were in accordance with the Financial Regulations and legislative authority.

In accordance with our usual practice, we have issued a long-form report on our audit of the financial statements of the International Trade Centre, as provided for in the Financial Regulations.

(Signed) Osei Tutu PREMPEH
Auditor General of Ghana

(Signed) Sir John BOURN
Comptroller and Auditor General
of the United Kingdom of Great
Britain and Northern Ireland

(Signed) Vijay Krishna SHUNGLU
Comptroller and Auditor General
of India

31 July 1996

III. CERTIFICATION OF THE FINANCIAL STATEMENTS

11 July 1996

I certify that the appended statements of the International Trade Centre, numbered I to VI, are correct.

(Signed) Yukio TAKASU
Controller

IV. FINANCIAL STATEMENTS FOR THE BIENNIUM ENDED 31 DECEMBER 1995

Statement I

INTERNATIONAL TRADE CENTRE UNCTAD/WTO

All funds summary: statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 1995 a/
(Thousands of United States dollars)

	General Fund		OTHER ACTIVITIES					
			Technical Cooperation Activities		Programme Support Costs		Other Special Funds	
	1995	1993	1995	1993	1995	1993	1995	1993
INCOME:								
Assessed contributions								
from WTO	20,835	17,465	-	-	-	-	-	-
from United Nations	20,835	17,465	-	-	-	-	-	-
Voluntary contributions	-	-	20,458	29,992	-	-	-	-
Other/Miscellaneous income								
Funds received under inter-organization arrangements	-	-	11,424	17,392	523	337	-	-
Income for services rendered	-	-	-	-	4,285	6,768	175	232
Interest income	198	117	557	1,105	44	56	13	8
Currency exchange adjustments	-	-	-	-	209	-	-	-
Other/Miscellaneous	670	690	-	-	71	92	-	-
TOTAL INCOME	42,538	35,737	32,439	48,489	5,132	7,253	188	240
EXPENDITURE:								
Expenditure	42,618	36,184	32,415	50,398	5,891	7,667	147	156
TOTAL EXPENDITURE	42,618	36,184	32,415	50,398	5,891	7,667	147	156
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(80)	(447)	24	(1,909)	(759)	(414)	41	84
Savings on or cancellation of prior periods' obligations	229	210	-	-	50	54	-	-
Reserves and fund balances, beginning of period	197	434	2,226	4,135	849	1,209	159	75
RESERVES AND FUND BALANCES, END OF PERIOD	346	197	2,250	2,226	140	849	200	159

a/ See note 3.

The accompanying notes are an integral part of the financial statements.

INTERNATIONAL TRADE CENTRE UNCTAD/WTO

All funds summary: statement of assets, liabilities, reserves and fund balances as at 31 December 1995 a/
(Thousands of United States dollars)

	General fund		OTHER ACTIVITIES					
			Technical Cooperation Activities		Programme Support Costs		Other Special Funds	
	1995	1993	1995	1993	1995	1993	1995	1993
ASSETS								
Cash and term deposits	896	2,779	7,839	11,368	37	1,220	-	-
Voluntary contributions receivable	-	-	8,853	3,540	-	-	-	-
Accounts receivable:								
Inter-fund balances receivable	-	-	825	1,595	-	-	200	159
Other	382	232	2,523	2,297	128	300	-	-
Other assets:								
Unspent allocations	-	-	5,169	9,760	-	-	-	-
Deferred charges and other assets	153	112	3,040	3,590	1	1	-	-
TOTAL ASSETS	1,431	3,123	28,249	32,150	166	1,521	200	159
LIABILITIES								
Contributions or payments received in advance	80	807	4,474	7,532	-	-	-	-
Unliquidated obligations	844	1,499	4,673	6,966	7	70	-	-
Accounts payable:								
Inter-fund balances payable	28	601	978	556	19	597	-	-
Other	133	19	1,851	1,573	-	5	-	-
Other liabilities:								
Deferred income	-	-	14,023	13,297	-	-	-	-
TOTAL LIABILITIES	1,085	2,926	25,999	29,924	26	672	-	-
RESERVES AND FUND BALANCES								
Operating reserves	-	-	1,088	1,088	140	638	-	-
Balances relating to projects funded by donors	-	-	1,162	1,138	-	-	-	-
Cumulative surplus (deficit)	346	197	-	-	-	211	200	159
TOTAL RESERVES AND FUND BALANCES	346	197	2,250	2,226	140	849	200	159
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	1,431	3,123	28,249	32,150	166	1,521	200	159

a/ See note 3.

The accompanying notes are an integral part of the financial statements.

INTERNATIONAL TRADE CENTRE UNCTAD/WTO

General Fund: statement of cash flow for the biennium ended 31 December 1995 a/
(Thousands of United States dollars)

	1995	1993
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net excess (shortfall) of income over expenditure (Statement I)	(80)	(447)
(Increase) decrease in other accounts receivable	(150)	(25)
(Increase) decrease in other assets	(41)	322
Increase (decrease) in unliquidated obligations	(655)	804
Increase (decrease) in accounts payable	114	12
Increase (decrease) in other liabilities	(728)	808
Less: Interest income	(198)	(117)
NET CASH FROM OPERATING ACTIVITIES	**(1,738)**	**1,357**
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:		
Increase (decrease) in inter-fund balances payable	(572)	(216)
Plus: Interest income	198	117
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	**(374)**	**(99)**
CASH FLOWS FROM OTHER SOURCES:		
Savings on, or cancellation of, prior periods' obligations	229	210
NET CASH FROM OTHER SOURCES	**229**	**210**
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	**(1,883)**	**1,468**
CASH AND TERM DEPOSITS AT BEGINNING OF PERIOD	**2,779**	**1,311**
CASH AND TERM DEPOSITS AT END OF PERIOD	**896**	**2,779**

a/ See note 7.

The accompanying notes are an integral part of the financial statements.

Statement IV

INTERNATIONAL TRADE CENTRE UNCTAD/WTO

General Fund: statement of appropriations for the biennium ended 31 December 1995
(Thousands of United States dollars)

	Appropriations				Expenditures			Balance
	Original	Supplementary/Other adjustments	Transfers	Revised	Disbursements	Unliquidated obligations	Total	
Section 16 - Trade Promotion								
Programme 1 - Policy-making organ	410	(50)	-	360	360	-	360	
Programme 2 - Executive direction and management	1 373	228	-	1 601	1 572	11	1 583	18
Programme 3 - Trade promotion and export development	21 546	2 093	-	23 639	23 139	440	23 579	60
Programme 4 - Administration and common services	17 245	143	-	17 388	16 703	393	17 096	292
Total	40 574	2 414	-	42 988	41 774	844	42 618	370

The accompanying notes are an integral part of the financial statements.

INTERNATIONAL TRADE CENTRE UNCTAD/WTO

General Fund: major objects of expenditure by programme for the biennium ended 31 December 1995
(Thousands of United States dollars)

	Salaries and common staff costs	Travel	Contractual services	General operating expenses	Supplies and materials	Furniture and equipment	Total
Section 16 - Trade Promotion							
Programme 1 - Policy-making organ	322	-	-	38	-	-	360
Programme 2 - Executive direction and management	1 508	75	-	-	-	-	1 583
Programme 3 - Trade promotion and export development	22 150	257	913	-	259	-	23 579
Programme 4 - Administration and common services	10 058	55	877	5 125	212	769	17 096
Total	34 038	387	1 790	5 163	471	769	42 618

INTERNATIONAL TRADE CENTRE UNCTAD/WTO

General Fund: schedule of miscellaneous income for the biennium ended 31 December 1995
(Thousands of United States dollars)

	Revised approved estimates for the biennium 1994-1995	Actual income as at 31 December 1995	Actual income as at 31 December 1993
Interest on investments	221	198	117
Miscellaneous income:			
Income from rental of premises	465	465	551
Sale of publications	51	53	66
Refund of prior years' expenditures	62	62	66
Miscellaneous	94	90	7
Subtotal	672	670	690
TOTAL OTHER/MISCELLANEOUS INCOME	893	868	807

Technical cooperation activities: combined statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 1995 a/

(Thousands of United States dollars)

	Technical Cooperation Trust Funds	Financed by UNDP	TOTAL 1995	TOTAL 1993
INCOME:				
Voluntary contributions	20,458	-	20,458	29,992
Other/Miscellaneous income				
Funds received under inter-organization arrangements	1,014	10,410	11,424	17,392
Interest income	557	-	557	717
TOTAL INCOME	22,029	10,410	32,439	48,101
EXPENDITURE:				
Salaries and common staff costs	13,927	4,998	18,925	29,340
Travel	1,433	711	2,144	3,259
Contractual services	699	402	1,101	1,808
General operating expenses	926	580	1,506	2,651
Acquisitions	1,285	823	2,108	2,374
Fellowships, grants, etc	1,311	1,035	2,346	4,198
Total project costs	19,581	8,549	28,130	43,630
Programme support costs	2,424	1,861	4,285	6,768
TOTAL EXPENDITURE	22,005	10,410	32,415	50,398
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	24	-	24	(2,297)
Transfers to/from reserves	-	-	-	388
Reserves and fund balances, beginning of period	2,226	-	2,226	4,135
RESERVES AND FUND BALANCES, END OF PERIOD	2,250	-	2,250	2,226

Technical cooperation activities: combined statement of assets, liabilities, reserves and fund balances as at 31 December 1995

(Thousands of United States dollars)

	Technical Cooperation Trust Funds	Financed by UNDP	TOTAL 1995	TOTAL 1993
ASSETS				
Cash and term deposits	7,437	402	7,839	11,368
Voluntary contributions receivable	8,853	-	8,853	3,540
Accounts receivable				
Inter-fund balances receivable	778	-	778	397
Due from ITC General Fund	28	-	28	601
Due from ITC Programme support cost	19	-	19	598
Other	1,025	1,498	2,523	2,296
Other assets				
Unspent allocations	-	5,169	5,169	9,760
Deferred charges and other assets	2,211	829	3,040	3,590
TOTAL ASSETS	20,351	7,898	28,249	32,150
LIABILITIES				
Contributions or payments received in advance	4,384	-	4,384	7,532
Unliquidated obligations	1,158	775	1,933	3,452
Unliquidated obligations (future periods)	1,930	810	2,740	3,514
Accounts payable				
Inter-fund balances payable	-	778	778	397
Due to training packs revolving fund (statement VI)	56	-	56	37
Due to EDP/ICC revolving fund (statement VI)	144	-	144	122
Other	1,575	366	1,941	1,573
Other liabilities				
Deferred income	8,854	5,169	14,023	13,297
TOTAL LIABILITIES	18,101	7,898	25,999	29,924
RESERVES AND FUND BALANCES				
Operating reserves	1,088	-	1,088	1,088
Balances relating to projects funded by donors	1,162	-	1,162	1,138
TOTAL RESERVES AND FUND BALANCES	2,250	-	2,250	2,226
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	20,351	7,898	28,249	32,150

a/ See note 8

The accompanying notes are an integral part of the financial statements.

INTERNATIONAL TRADE CENTRE UNCTAD/WTO

Other special funds: combined statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 1995 a/
(Thousands of United States dollars)

	Training Packs revolving fund		EDP/ICC b/ revolving fund		Total	
	1995	1993	1995	1993	1995	1993
INCOME:						
Sales of training packs to projects	10	25	-	-	10	25
Sales of services to projects	-	-	70	142	70	142
Sales of training packs to others	23	27	-	-	23	27
Sales of services to others	-	-	72	38	72	38
Interest income	4	2	9	6	13	8
TOTAL INCOME	37	54	151	186	188	240
EXPENDITURE:						
Cost of reprinting, translations, etc.	18	51	-	-	18	51
Cost of ICC services	-	-	129	105	129	105
TOTAL EXPENDITURE	18	51	129	105	147	156
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	19	3	22	81	41	84
Reserves and fund balances, beginning of period	37	34	122	41	159	75
RESERVES AND FUND BALANCES, END OF PERIOD	56	37	144	122	200	159

Other special funds: combined statement of assets, liabilities, reserves and fund balances as at 31 December 1995
(Thousands of United States dollars)

	Training Packs revolving fund		EDP/ICC b/ revolving fund		Total	
	1995	1993	1995	1993	1995	1993
ASSETS						
Due from ITC Trust Funds (Statement V)	56	37	144	122	200	159
TOTAL ASSETS	56	37	144	122	200	159
LIABILITIES	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-
RESERVES AND FUND BALANCES						
Cumulative surplus (deficit)	56	37	144	122	200	159
TOTAL RESERVES AND FUND BALANCES	56	37	144	122	200	159
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	56	37	144	122	200	159

a/ See note 2 (n) and (o).

b/ Electronic Data Processing/International Computing Centre.

The accompanying notes are an integral part of the financial statements.

Note 1. The International Trade Centre and its activities

On 12 December 1967, the General Assembly adopted resolution 2297 (XXII) approving the establishment of the International Trade Centre "to be operated jointly by the United Nations Conference on Trade and Development and the General Agreement on Tariffs and Trade on a continuing basis and in equal partnership" with effect from 1 January 1968. These arrangements had previously been endorsed by the GATT Council on 22 November 1967. Governmental supervision of the International Trade Centre is exercised by the Contracting Parties to the GATT and by the Trade and Development Board of UNCTAD, and the Joint Advisory Group is responsible for advising on the work programme and activities of the Centre. In 1995, the Secretary-General of the United Nations and the Director-General of the World Trade Organization agreed to recommend to the responsible intergovernmental organs that the present arrangements governing the status of the Centre as a joint body be confirmed and renewed with WTO subject to revised budgetary arrangements, as called for by the General Council of WTO.

The Centre is a technical cooperation organization whose mission is to support developing and transition economies, and particularly their business sectors, in their efforts to realize their full potential for developing exports and improving import operations with the ultimate goal of achieving sustainable development. The Centre deals specifically with the operational aspects of trade promotion and export development. Its regular budget is financed jointly and equally by the United Nations and GATT/WTO, and technical cooperation projects are financed by voluntary contributions from trust fund donors and by allocations from the United Nations Development Programme (UNDP).

Note 2. Summary of significant accounting and financial reporting policies of ITC

(a) The Centre's accounts are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, and administrative instructions issued by the Under-Secretary-General for Administration and Management or the Controller, and in conformity with generally accepted accounting principles. They also take fully into account the common accounting standards for the United Nations system as adopted by the Administrative Committee on Coordination. The General Assembly took note of these standards in its resolution 48/216 C of 23 December 1993. The Centre follows International Accounting Standard 1 on the disclosure of accounting policies, as modified and adopted by the Consultative Committee on Administrative Questions at its fifty-fourth session, as shown below:

(i) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed, together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place;

(v) Financial statements should show corresponding figures for the preceding period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed, together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Centre's accounts are maintained on a "fund accounting" basis, and each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts.

(c) The financial period of the Centre is a biennium and consists of two consecutive calendar years.

(d) Income, expenditure, assets and liabilities are recognized on the accrual basis of accounting.

(e) The accounts of the Centre are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller. In respect of such currencies, the financial statements prepared at such intervals as may be prescribed by the Controller, under delegation of authority from the Under-Secretary-General for Administration and Management, shall reflect the cash, investments, unpaid contributions and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual rates at the date of the statements would provide a valuation materially different from the application of United Nations rates of exchange for the last month of the financial period, a footnote will be presented quantifying the difference.

(f) The Centre's financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services.

(g) The Centre's financial statements are presented in accordance with the ongoing recommendations of the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) Working Party on Financial Statements. In the interest of harmonizing the presentation of financial statements within the entire United Nations system, the recommended standards require the presentation of summary financial results for all of an organization's activities in statements I and II and in statement III the presentation of its general fund cash flows.

(h) The results of the Centre's operations presented in statements I and II are shown at the summary level by general type of activity. Their presentation in a summarized format does not imply that the various separate funds can be intermingled in any way, since normally resources may not be utilized between funds.

(i) Certain reclassifications have been made to some of the comparative figures shown in the financial statements for the period 1 January 1992 through

31 December 1993 in order for them to conform to the new financial statement formats. None of these reclassifications of the 1993 figures represents any real change in the financial results for that period.

(j) Contingent gains or losses or events occurring after the date of the balance sheet are disclosed in the financial statements if they are considered to be of such importance that non-disclosure would effect the ability of the users of financial statements to make proper evaluations or decisions.

(k) General Fund:

(i) General Fund income is recognized for financial statement purposes when the appropriations have been approved by the United Nations and by WTO;

(ii) Other/miscellaneous income includes income from the rental of premises, sales of publications, interest earned on various bank accounts and time deposits, refunds of prior years' expenditures and other miscellaneous items, including sales of obsolete equipment;

(iii) Refunds of expenditure which had been charged in the same financial period against the budgetary accounts are credited against the same accounts, but refunds of expenditure relating to the prior financial periods are credited to miscellaneous income;

(iv) Gain or loss on exchange: on the closing of the accounts at the end of each financial period, the balance for loss or gain on exchange is debited to the budget if there is a net loss; if there is a net gain, the gain is credited to miscellaneous income;

(v) Savings on liquidation of prior periods' obligations are credited directly to the fund balance.

Assets:

(vi) Cash and term deposits comprise funds on deposit in interest-bearing bank accounts, certificates of deposit and call accounts. They are shown in the statements of assets and liabilities as cash, and apart from changes in value arising from the retranslation of currencies as provided for in paragraph (e) above, all investments are stated at cost;

(vii) Deferred charges comprise expenditure items which are not properly chargeable in the current financial period and which will be charged as expenditure in the subsequent financial period. These expenditure items include commitments approved by the Controller for future financial periods, in accordance with financial rule 110.6. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations in which long lead times are required for delivery. Unliquidated obligations for future years are reported as deferred charges and as a separate liability item;

(viii) For balance sheet purposes only, those portions of education grant advances which are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as

accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances recovered;

(ix) Furniture, equipment and other non-expendable property are not included in the assets of the Centre. Acquisitions are charged against allotments in the year of purchase.

Liabilities and reserves and fund balances:

(x) To comply with the new uniform financial statement formats, the classification of operating reserves and other types of reserves has been changed from that employed previously. Formerly, all such reserves were considered to be liabilities of the Centre and were included in the liability totals shown in the financial statements. Reserves are now considered to be one component of a new category encompassing both reserves and fund balances, and they are accordingly included in the totals for "Reserves and fund balances" shown in the financial statements;

(xi) Commitments of the Centre relating to prior, current and future financial periods are shown as unliquidated obligations. Current period obligations related to the General Fund remain valid for 12 months following the end of the biennium to which they relate;

(xii) Unliquidated obligations for future financial periods are reported both as deferred charges and as unliquidated obligations;

(xiii) Deferred income includes pledged contributions for future periods and other income received but not yet earned;

(xiv) No provision is made in the General Fund for repatriation grant entitlement or to meet contingencies under appendix D to the Staff Rules of the United Nations, as funds are provided for in budget appropriations;

(xv) Liabilities do not include any provision for benefits payable to staff on termination of service.

(l) Technical cooperation accounts:

(i) Statement V, on technical cooperation activities, reports on activities financed by UNDP and the trust funds;

(ii) Funds received under inter-organization arrangements - UNDP: the figures for allocation income from UNDP are the same as reported for total expenditure, in line with UNDP procedures, which require that allocations be adjusted to equal actual expenditure;

(iii) Voluntary contributions - trust funds: contributions from Governments or other donors are recorded upon receipt of the contribution or upon approval of the project by the donor. All monies accepted for purposes specified by the donor are treated as trust funds or special accounts. Separate trust funds are set up for each project as approved by the donor and the recipient country;

(iv) Interest and miscellaneous income arising from UNDP activities are credited to the operating fund accounts maintained with that organization. Interest accruing from the short-term investment of trust funds is credited first to the operating reserve to maintain that reserve at the agreed level (see subpara. (xii) below), then to support costs to meet any annual deficit attributable to currency fluctuations, and thereafter to donors' funds. Trust fund miscellaneous income accruing from the sale of surplus property or refunds of expenditure are credited to the project from which the purchase or expenditure was originally financed. If the project is closed, this income is credited to the donor;

(v) Unspent allocations/deferred income - UNDP: the unspent balance of allocations issued for the current year, together with allocations issued for future years, is reflected as an asset and as deferred income. Unspent allocations for UNDP-financed projects are based on the project budgets. Unspent allocations for UNDP-administered trust funds are based on allocation advices issued by UNDP;

(vi) Deferred income for other trust funds comprises contributions received in respect of project budgets which extend beyond the current period, together with the programme support income relating to those project budgets;

(vii) Unliquidated obligations for the current period in respect of UNDP-financed activities remain valid for 12 months following the end of the year, rather than the biennium, to which they relate. However, in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists; in such cases liabilities are reported as accounts payable in the financial statements. Savings in the liquidation of prior period obligations are credited to individual projects as a reduction of current period expenditure, in accordance with UNDP reporting requirements. Unliquidated obligations for trust fund projects remain valid for the life of the project;

(viii) A system of average costing is used for UNDP projects whereby those elements of experts' actual costs which are unique to the individual expert are charged to UNDP projects at average cost, calculated by apportioning those costs over all UNDP projects in respect of which expert-months have been delivered in the current period;

(ix) A system of standard costs is applied to trust fund projects. Projects are charged at standard costs for the provision of experts' services, the annual difference between the standard applied and the actual costs incurred being transferred to the operating reserve (see subpara. (xi) below);

(x) Loss or gain on exchange: any exchange difference incurred in respect of UNDP projects is debited or credited to the operating fund maintained with that organization. Any differences accruing on trust fund projects in respect of normal day-to-day transactions are borne by the appropriate project budgets. Those currency fluctuations which cannot be attributed to any particular project are debited/credited to the operating reserve (see subpara. (xi));

(xi) Operating reserve - trust funds: the Centre's policy is to maintain this reserve at a predetermined level, and agreement has been reached with donors that the first charge upon interest be for the purpose of maintaining the reserve at that level;

(xii) Trust fund donors' fund balances comprise the unobligated balance of allocations, contributions not yet allocated, residual balances of closed projects, interest, and miscellaneous income, including those items described under subparagraphs (iv) and (xi). These funds are held pending instructions from the donor as to their disposal and are constantly under review in the course of continuing discussions which are maintained with all donors;

(xiii) Miscellaneous income: all monies accepted for purposes specified by the donors are treated as trust funds or special accounts. However, monies accepted in respect of which no purpose is specified are treated as miscellaneous income;

(xiv) Provision to meet contingent liabilities for compensation under appendix D to the Staff Rules of the United Nations for personnel financed by technical cooperation trust funds is calculated on the basis of 1 per cent of the net base pay. This provision is maintained in the United Nations General Fund.

(m) Support costs:

(i) Reimbursement for programme support costs is provided for in respect of extrabudgetary technical cooperation activities and accounted for in the support costs fund. The reimbursement is calculated as a percentage of the programme resources expended;

(ii) Unliquidated obligations in respect of special accounts for programme support costs are accounted for on the same basis as for the General Fund;

(iii) Any balance in the support costs fund is carried forward to the next biennium;

(iv) An operating reserve at 20 per cent of estimated support cost income is required to be maintained to meet contingent liabilities, in accordance with the administrative instruction in document ST/AI/285.

(n) Training packs revolving fund

Income accruing from the sale of any training pack or similar item financed from trust fund resources is credited to the training pack revolving fund and utilized to finance the costs of reprinting, translation and other related costs.

(o) EDP/ICC revolving fund

Income accruing from the sale of electronic data-processing services financed from trust fund and other resources is credited to the Electronic Data Processing/International Computing Centre (EDP/ICC) revolving fund and utilized to finance the provision of further services.

Note 3. All funds summary: income and expenditure and changes in reserves and fund balances (statement I); assets, liabilities and reserves and fund balances (statement II)

(a) Statements I and II contain financial results for all the Centre's funds, which are totalled into four groups of related funds reflecting all activities of the Centre. This summarized presentation should not be interpreted to mean that any of the individual funds can be used for any purpose other than that for which it is authorized.

(i) "Technical cooperation activities" include the same financial results as are reflected in statement V;

(ii) "Other special funds" include the Centre's other funds which are maintained for a variety of purposes (statement VI).

(b) The inclusion of the changes during the financial period shown in "Reserves and fund balances" as part of the statement of income and expenditure represents a major change in presentation to comply with the new financial statement formats. Formerly, these changes had been included in the fund balance section of the statement of assets and liabilities.

Note 4. General Fund (statement I)

Income:

Under the terms of General Assembly resolution 2297 (XXII) of 12 December 1967 and the decision of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) of 22 November 1967, the regular budget of ITC should be shared equally between the United Nations and GATT, whose share has been taken over by WTO.

The final performance report of the Centre (ITC/BUD/18) provided for estimated expenditures of $42,988,000, including estimated income of $1,319,000, thus requiring a contribution of $20,834,500 from each of the parent bodies.

Note 5. General Fund (statement II)

(a) Assets:

(i) Cash and term deposits represent the net total of all cash balances less any overdrafts. The amount of $895,817 (1993: $2,778,961) includes $732,628 (1993: $2,280,627) held in interest-earning deposits;

(ii) Accounts receivable comprise (United States dollars):

	31 December 1995	31 December 1993
Advances to staff	225 261	142 313
Value added tax (VAT) to be reimbursed by Governments	122 852	-
Accrued interest	30	2 376
Miscellaneous items	33 842	87 261
	381 985	231 950

(iii) Inter-fund balances reflect transactions between the Centre's funds which are normally settled in the following month;

(iv) Deferred charges comprise (United States dollars):

	31 December 1995	31 December 1993
Education grant advances to staff (note 2 k (viii))	115 805	94 875
Miscellaneous items paid in advance	37 090	17 300
	152 895	112 175

(b) Liabilities:

(i) Contributions or payments received in advance represent an excess contribution paid by WTO for 1995;

(ii) Accounts payable comprise (United States dollars):

	31 December 1995	31 December 1993
Balances due to staff	81 516	-
Other items	51 701	18 994
	133 217	18 994

Deferred income represents an excess contribution paid by WTO for 1995;

(iii) In addition to the above-mentioned liabilities, ITC has financial commitments in respect of leases extending beyond the financial period ended 31 December 1995. The estimated costs of these arrangements to be met from the appropriations of the following two bienniums are (United States dollars):

	1996-1997	1998-1999
Lease of ITC headquarters building	3 220 121	3 220 121
Lease of reprographic equipment	325 133	187 483
Lease of photocopiers	60 775	-

(iv) Reserves and fund balances

The surplus account of the Centre's General Fund represents funds available for the credit of the United Nations and WTO arising from the unobligated balance of appropriations and the liquidation of obligations for the prior period. During the biennium, a surplus of $425,850, comprising $197,048 brought forward from the biennium 1992-1993 and $228,802 representing the savings on the liquidation of 1992-1993 obligations was offset against the contributions of the United Nations and WTO.

Note 6. Special account for programme support costs (statement I)

(a) Total income during the biennium comprises (United States dollars):

	1994-1995	1992-1993
Support costs on trust fund projects	2 424 108	3 776 019
Support costs on UNDP projects	1 861 198	2 992 396
Support costs on associated agency projects	523 013	336 719
Interest	44 041	56 349
Miscellaneous	279 982	91 638
	5 132 342	7 253 121

(b) Expenditure during the biennium comprises (United States dollars):

	1994-1995	1992-1993
Salaries and common staff costs	5 300 067	6 720 250
Travel	9 935	5 077
Contractual services	57 057	184 348
General operating expenses	6 268	20 953
Fellowships, grants, other	518 285	736 008
	5 891 612	7 666 636

(c) Reserves and fund balances

There was no cumulative surplus as at 31 December 1995, reflecting the following movements during the biennium (United States dollars):

Surplus balance as at 1 January 1994	211 872
Savings on liquidation of prior period obligations	50 004
Transfers from operating reserve	497 394
Excess of expenditure over income	(759 270)
Balance as at 31 December 1995	0

Operating reserves totalled $140,120 as at 31 December 1995, reflecting the following movements during the biennium:

Operating fund balance as at 1 January 1994	637 514
Transfers to surplus account	(497 394)
Balance as at 31 December 1995	140 120

The operating fund balance is currently less than the level required by the administrative instruction in document ST/AI/285. This fund will be restored to the required level in 1996.

Note 7. General Fund: cash flow (statement III)

Statement III was previously presented in a different format in an annex to the financial statements. The current format is based on the "Indirect method" of cash flow statements covered by International Accounting Standard Number 7.

Note 8. Technical cooperation activities (statement V)

(I) Trust funds

(a) Assets

(i) Cash comprises (United States dollars):

	31 December 1995	31 December 1993
Cash at banks	442 296	426 603
Interest-bearing deposits	6 994 364	10 853 609
Held by imprest holders	400	3 705
	7 437 060	11 283 917

The total cash includes the following non-convertible currencies: 82,482 Polish zlotys.

(ii) Miscellaneous accounts receivable comprise (United States dollars):

	31 December 1995	31 December 1993
Advances to staff members	86 236	110 272
Accrued interest	62 010	19 497
Value added tax (VAT) recoverable from Governments	24 356	39 891
Amounts billed to various organizations	25 212	32 897
Other items	237 242	46 808
	435 056	249 365

(iii) Deferred charges and other assets comprise (United States dollars):

	31 December 1995	31 December 1993
Unliquidated obligations for future periods	1 929 778	2 705 102
Due to other agencies	22	-
Inter-office vouchers in suspense	40 270	18 869
Education grant advances to staff (note 2 k (viii))	1 417	7 165
Miscellaneous items	19 390	29 291
	2 210 910	2 760 427

(b) Liabilities

(i) Accounts payable comprise (United States dollars):

	31 December 1995	31 December 1993
Balance of the report processing account	8 531	110 291
Outdated cheques	334	9 928
Fund balances payable to donors	137 965	-
Payable to staff	74 340	-
Miscellaneous items	-	43 149
	221 170	163 368

(ii) Deferred income comprises (United States dollars):

	31 December 1995	31 December 1993
Contributions receivable for future years	8 853 332	3 540 306

(c) Operating reserve

The operating reserve is maintained to meet such contingencies as those arising from the termination of employment of experts, and is derived, inter alia, from the difference between the standard costs applied to projects and the actual costs incurred. As reflected in the summary of significant accounting policies (note 2), it is the Centre's policy to maintain the reserve at a predetermined level ($1,087,816 for the biennium 1994-1995), and, with the general agreement of the donors, the first charge upon interest accruing from the investment of funds is to maintain the reserve at that level.

(II) UNDP

(a) Assets

(i) Cash comprises (United States dollars):

	31 December 1995	31 December 1993
Cash at banks	399 082	78 794
Held by imprest holders	3 055	5 444
	402 137	84 238

(ii) Accounts receivable comprise (United States dollars):

	31 December 1995	31 December 1993
Due from other agencies	1 344 788	1 238 274
Due from staff	139 478	81 149
Miscellaneous items	13 510	160 074
	1 497 776	1 479 497

(iii) Deferred charges comprise (United States dollars):

	31 December 1995	31 December 1993
Unliquidated obligations for future periods	810 149	808 570
Education grant advances to staff (note 2 K (viii))	6 792	5 020
Other items	11 612	15 477
	828 553	829 067

(b) Liabilities

Accounts payable comprise (United States dollars):

	31 December 1995	31 December 1993
Unliquidated obligations billed to other agencies	252 221	237 044
Miscellaneous items	23 779	80 716
	276 000	317 760

(c) Statement V excludes expenditure of $2,377,331 on projects executed by the Centre for various organizations as an associated agency. Those expenditures are reported fully in the executing agencies' own financial statements. The programme support cost income earned from these activities, $523,013 (1992-1993: $336,719) is included in statement I.